



**Conquest Resources Limited**  
**Interim Consolidated Balance Sheet**

Statement 1

**As at 31 March 2003**

Canadian Funds  
 Unaudited

	March 31 2003	December 31 2002
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	275,622	771,498
Amounts receivables	<u>31,361</u>	<u>9,880</u>
	306,983	781,378
Other assets		
Investment in Oxus Mining PLC	628,435	628,435
Mineral properties and deferred exploration expenditures	3,115,442	2,928,130
Plant and equipment, net	<u>980,644</u>	<u>1,110,868</u>
	4,724,521	4,667,433
	<u>5,031,504</u>	<u>5,448,811</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	<u>218,466</u>	<u>256,781</u>
Shareholders' equity		
Convertible debentures	2,352,836	2,280,464
Capital stock	5,089,382	5,089,382
Warrants	224,620	224,620
Contributed Surplus	58,150	58,150
Deficit	<u>(2,911,950)</u>	<u>(2,460,586)</u>
	4,813,038	5,192,030
	<u>5,031,504</u>	<u>5,448,811</u>

ON BEHALF OF THE BOARD:

"Terence N. McKillen" Director

"John F. Kearney" Director

- See Accompanying Notes -

**Interim Consolidated Statement of Loss and Deficit****For the Three Month Period Ended March 31***Canadian Funds  
Unaudited*

	<u>2003</u>	<u>2002</u>
<b>Revenue</b>	-	-
<b>Expenses</b>		
Office and general	41,400	69,413
Corporate expenses	9,008	4,600
Salaries and benefits	12,863	-
Professional fees	1,700	1,519
Travel	<u>692</u>	<u>-</u>
	65,663	75,532
Loss before the undernoted	65,663	75,532
Write down of deferred exploration expenditures	183,106	86,816
Amortization	130,224	-
<b>Net loss for the period</b>	<b>378,993</b>	<b>162,348</b>
<b>Deficit, beginning of period</b>	2,460,586	1,759,187
Convertible debentures charges	72,371	79,540
<b>Deficit, end of period</b>	<b><u>2,911,950</u></b>	<b><u>2,001,075</u></b>
<b>Net loss per common share</b>	<b>(0.01)</b>	<b>(0.01)</b>

- See Accompanying Notes -

**Interim Consolidated Statement of Cash Flows****For the Three Month Period Ended March 31***Canadian Funds**Unaudited*


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	<u>2003</u>	<u>2002</u>
<b>CASH FLOW FROM (USED IN) OPERATING ACTIVITIES</b>		
Net loss for the period	(378,993)	(162,348)
Item not involving cash		
Write down of deferred exploration expenditures	183,106	-
Amortization	<u>130,224</u>	<u>86,816</u>
	(65,663)	(75,532)
Changes in non-cash working capital balances	(59,796)	78,187
Cash flows (used in) operating activities	(125,259)	2,655
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>		
Mineral properties and deferred exploration expenditure	(370,418)	-
<b>Increase (Decrease) in cash</b>	(495,876)	2,655
<b>Cash, beginning of period</b>	771,498	8,843
<b>Cash, end of period</b>	<u><b>275,622</b></u>	<u><b>11,498</b></u>

- See Accompanying Notes -

# Conquest Resources Limited

## Notes to Interim Consolidated Financial Statements

31 March, 2003  
Canadian Funds  
Unaudited

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### 1. Basis of Presentation

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on the "going concern basis", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities. These financial statements do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2003. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2002.

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### 2. Accounting Changes

#### *(a) Stock-based Compensation*

Effective January 1, 2002, the Company adopted the new recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These new recommendations require that compensation for all awards made to non-employees and certain awards made to employees be measured and recorded in the financial statements at fair value. This Section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after January 1, 2002.

The Company, as permitted by Section 3870, has chosen to continue its existing policy of recording no compensation cost on the grant of stock options to employees. Any consideration paid by employees on exercise of stock options is credited to capital stock.

#### *(b) Capital Assets and Amortization*

Capital assets are recorded at cost. Amortization of plant and equipment is provided on a straight line basis at a rate of 30% per annum (20% in prior years).

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### 3. Issuance of Capital Stock

No capital stock was issued during the quarter ended March 31, 2003.

### 4. Convertible Debentures

The Company has issued and outstanding \$2.2 million of 8% unsecured convertible debentures of which \$2.0 million are due April 30, 2006 and the balance due August 31, 2006. The Debentures are convertible at the option of the holder into common shares of the Company at any time prior to maturity at a conversion price of \$0.20 per share during the first two years, and at conversion prices of \$0.25, \$0.30 and \$0.35 per share during the third, fourth and fifth years, respectively. Interest is payable, at the option of the Company, in cash or common shares. The Company may elect to satisfy its obligations to pay the principal amount of these Debentures through the issuance of common shares. The number of common shares to be issued would be equal to the principal amount of the Debentures being redeemed divided by the market price of the common shares as determined to be the average of the closing market value of the shares during the ten-day period commencing thirty days prior to the date of such a redemption.

The Debentures have been accounted for in accordance with their substance and are presented in the financial statements in their component parts, measured at their respective fair values at the time of issue. The entire value of the Debentures, net of issue costs, has been classified as equity. The interest related component has been calculated as the present value of the required interest payments discounted at 18%, a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the

debentures were issued. Interest is determined on this component, and is charged directly to deficit. The remaining portion, net of the value ascribed to the holder's conversion option, is increased over the term to the full face value by charges to deficit.

## 5. Capital Stock

a) *The capital stock is as follows:*

Authorized  
Unlimited common shares  
Issued  
37,986,788 common shares

b) *Stock Options*

Pursuant to a stock option plan approved by the Board of Directors, the maximum number of common shares reserved for issuance to various directors, officers, consultants and employees may not exceed 10% of the common shares outstanding immediately before such issuance. The following table summarizes the stock options outstanding as at March 31, 2003:

Number of Common shares	Exercise Price \$	Expiry Date
1,430,000	0.20	Feb 12, 2005
600,000	0.10	May 7, 2006
200,000	0.20	May 10, 2007
<u>850,000</u>	0.20	Sep. 26, 2007
3,080,000		

c) *Warrants*

As at March 31, 2003, the Company has issued and outstanding 2,222,400 share purchase warrants valued at \$224,620. Each warrant entitles the holder to purchase one common share of the Company. A summary of outstanding warrants is as follows:

Warrants	Exercise Price	Expiry Date
2,000,000	\$0.25	30 Jun, 2003
<u>222,400</u>	\$0.18	19 Dec, 2003
2,222,400		

## 6. (Loss) earnings per share

	March 31, 2003	March 31, 2002
	\$	\$
Basic	(0.01)	(0.01)

Basic (loss) earnings per share was calculated on the basis of the weighted average number of common shares outstanding for the periods which amounted to 37,986,688 common shares.

For the three months ended March 31, 2003, the existence of convertible debentures, stock options, conversion rights and warrants affects the calculation of loss per share on a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share has not been shown for 2003.

## 7. Mineral Properties & Deferred Exploration Expenditures

The Company has made a provision against net deferred exploration expenditure on its African mineral properties in the amount of \$183,106.

## **8. Subsequent events**

In May 2003, the Company agreed to sell its 7% share holding in Norox Mining Company Limited to Oxus Mining PLC in consideration of the issue by Oxus of 1,250,000 common shares of Oxus and warrants entitling the Company to purchase an additional 250,000 shares of Oxus at a purchase price of £0.25 per share at any time for a period of five years. The Share Sale, Option and Joint Venture Agreement dated May 2002 between the Company and Oxus in relation to the Jerooy gold project was terminated.

Also in May 2003, the Company made application to the TSX Venture Exchange to amend the terms of outstanding share purchase warrants. The Warrants were originally issued as part of a private placement of 2,000,000 units announced May 30, 2002 comprising one common share and one Warrant at a price of \$0.20 per unit. Holders of Warrants were entitled to purchase an additional common share at a price of \$0.25 per share prior to June 30, 2003. The Company had made application to the TSXV to extend the term of the Warrants to June 30, 2004 at the same exercise price.